**METROPOLITAN STATE UNIVERSITY of DENVER**

**BOARD OF TRUSTEES**

Finance Committee Meeting

Thursday, September 3, 2020, 3:05 p.m. – 5:45 p.m.

Held by Zoom Teleconference

**I. CALL TO ORDER:**

The meeting was called to order at 3:13 p.m. by Chairman Russell Noles.

**Board of Trustees Present:**

Chairman Russell Noles, Trustee Albus Brooks, Trustee Mario Carrera, Trustee Emily Renwick Garnett, Trustee Barb Grogan, Trustee Kristin Hulquist, Trustee Mike Johnston, Trustee Marissa Molina, Faculty Trustee Bethany Fleck Dillen and Trustee Jim Mulligan.

MSU Denver Personnel Present:

#### Janine Davidson, President; Bill Henry, Interim Provost and Vice President for Academic Affairs :Will Simpkins, Vice President for Student Affairs; Thad Spaulding, Interim Associate Vice President of Enrollment; Cathy Lucas, Vice President for Strategy; Deputy General Counsel Nicholas Stancil; George Middlemist, CFO/Associate Vice President of Administration and Controller; Larry Sampler, COO/Vice President of Administration; Ann Murphy, Dean, College of Business; Cipriana Patterson, Deputy Budget Director; Liza Larsen, Controller; Stacy Dvergsdal, Associate Vice President Human Resources; Elizabeth Hinde, Dean, School of Education; Arlene Sgoutas, Dean, College of Letters, Arts and Sciences, and other various staff members. Mary Sauceda, AVP of Enrollment Management

**II. APPROVAL OF MINUTES:**

A **motion** was made by Trustee Hulquist to approve the June 4, 2020, Finance Committee meeting minutes, and was seconded by Trustee Carrera the motion was **unanimously approved**.

**III. DISCUSSION ITEMS**

 **A. Enrollment Update – Mary Sauceda, AVP of Enrollment Management**

* 6% down in enrollment for FTE as of Monday, August 31, 6.27% down in head count.
* Year-over-year demographic data, how Fall 2020 looks in comparison to Fall 2019: Not a lot of movement in the percentages for residency status, slight increase in part-time students.
* This year seeing increases in all student-of-color populations with the exception of the Native, Hawaiian, and Pacific Islander demographic. Overall, students of color have increased by 3% this year from 2019. At 46% last year and now at 49%. The Latinx population increased to 31.85%, given the population is projected to increase the most in our state in ten years. More to do to potentially recruit and support students of color. The Enrollment Command Center will be planning some initiatives to recruit more Black and African American students this coming year.

 **B. Budget Efficiencies and CARES Funding Update – Larry Sampler, VP of Administration/COO, and George Middlemist, AVP of Administration/CFO**

 **D. Fiscal Year 2019-20 Budget to Actual Update - Larry Sampler, Vice President of Administration/COO and George Middlemist, AVP of Administration/CFO**

Changes made to the E&G Budget/general fund budget:

* With reductions to state funding, received CARES Act funding from the state, a net reduction of $3.3 million. Tuition revenue shortfall, almost $11 million, down about $14 million in revenues. Represents a little over 7% of general fund budget. In addition, had some base budget needs to deal with faculty promotion, a faculty equity issue with those promotions.
* Looking at close to $16 million of a budget shortfall. High-level reductions of $9 million to the base budget, one-time reductions to furlough actions of about $2.3 million, and covering the faculty equity issue from reserves. Able to reduce this year’s budget by $12 million; leaving a gap of $3.8 million.
* Academic Affairs took the largest share of reductions, over $4 million. Represented a little over 4% of their budget.
* Reduced almost 36 positions, most were vacant lines. In July there were ten layoffs.
* Athletics took a $30,000 hit to their funds, took a significant number reduction in their auxiliary fund.
* Robust conversations at Budget Recommendation Committee and Compensation Subcommittee on whether to do furloughs or temporary across-the-board decreases. 160 employees volunteered for furlough days, the total savings from the voluntary actions are $1.4 million in general fund, $1.2 million. 41% of budget is faculty compensation now reduced by 5.2%. A portion was permanent reductions and vacant faculty lines, some savings through the furloughs with faculty. Professional staff are 24% of our total compensation and were reduced by 4.3%. Ability to work with contracts and some other non-operating expenses to reduce permanently by 7.1%. Executive leadership volunteered to take furlough days, a reduction of almost 7%.
* Institutional reserves, using a good portion of reserves to balance this year’s budget. To fill that gap of $4 million; recommending to the Board this year to use $2 million of one-time reserves, $1 million of base reserves, and over $800,000 in overhead reserve. Auxiliary reserve used for emergencies, recommending using that reserve to balance this year’s budget.
* CARES money and where we’re spending it in terms of our COVID efforts.
	+ Three CARES Act grants, or moneys
		- $14.4 million from the feds directly, based directly on the number of Pell students at this institution and. As of the end of the fiscal year ’20 able to send $5.7 million to the students. $1.4 million planned for this fiscal year.
		- Received a grant for being an HSI institution. Dr. Benitez was able to get a $1 million grant, and in the process of planning for $1 million of expenditures by the end of this fiscal year.
		- Received the Governor’s funds, intended to replace the funding that the state cut. The state cut around $37 million, replaced all but a little over $3.5 million of it. The challenge with this funding source is it has very specific restrictions on how it can be spent.
* The student portion of the CARES Act funding, sent out $4.1 million in direct grants to students, based on their need.
* The institutional portion of the CARES Act, almost a million dollars was used for IT purchases to go online.
* Used $39,000 for emergency grants and used some for refunds for students that had trips cancelled.
* Setting aside $2 million for classroom modifications to help with social distancing and to make some classes a little larger.
* Using $2.6 million of it in lieu of a refund. Waived the AHEC Bond and Tivoli fees, that AHEC has to pay debt on.
* $550,000 working to develop a plan for the senior leaders on how to spend the rest of the money. Includes creating remote lab licenses so students can take lab classes remotely. To also create some high-flex remote learning environments where students can be either remote or in a classroom for that day of coursework.

 **E. Fiscal Year 2019-20 Budget Unaudited Financial Statements – Liza Larsen, Controller**

Statement of net position:

* The largest was a $47.7 million bond issuance that was our Series 2020 Bonds that were issued to allow for some greater flexibility in how to use the Hotel. One of the results was that we onboarded the Hotel and all of the financial transactions of HLC@Metro, Inc. Our buildings are up a little over $40 million, increases in our accounts payable and accounts receivable because of that, cash went up about a million dollars because of that transition.
* Received about $33.5 million from the state, a prepayment this year for the cut that we’re going to see next year.
* CARES money that we received directly from the federal government, was about $6.8 million, that caused an increase there.
* Compensated absences liability went up $2 million. Most of that was people were not taking their leave at the end of the year, that last fiscal quarter. $385,000 of that $2 million is a change in policy this year. FY’20 was the first year that MSU Denver offered a leave payout to administrators, if administrators served the University for ten years or longer and they are separating, they are eligible to have a 25% payout of their accrued sick leave. That’s new in FY’20 so we needed to start accruing for that.
* Also had a $29.4 million reduction in net pension and OPEB liabilities.
* Negative net position resulted from an accounting standard change 2015 and have had negative net position since then and we will continue until PERA is funded. New student technology fee increased the Metro Bond Fee by 5%. Closed the Bond Fee window, a lot of revenue changes that had helped bring that net position up. $3.2 million increase in fee-for-service, $3 million more in Colorado student grant, $3.5 million unrealized gain.

**IV. ACTION ITEMS**

 **A. Fiscal Year 2020-21 Spring & Summer Tuition and Fee Rates - Larry Sampler, Vice President of Administration/COO and George Middlemist, AVP of Administration/CFO**

The Budget Recommendation Committee considered all things, these were the main decision factors.

* Impact on the students: cost, the potential loss of services to our students, can we still support them if we don’t have the revenue streams
* Learning environment will be mainly online with limited access to on-campus services.
* Impact on budget, the tuition increase could help mitigate some of our shortfall.
* Economic outlook: still seeing the signs of a recession going on for quite a while, also the fact that students are now facing economic challenges

Impact of a 3% increase to the tuition for students for the Spring semester:

* It will reduce our revenue shortfall by almost $2 million. Instead of a $14 million shortfall, looking at closer to a $12 million shortfall.
* Cost increase to our students, a student taking 15 credit hours, $108. Non-resident students, $340 increase if taking 15 credit hours

The fee changes:

* Fee structure - a student that’s 100% on campus would pay $992.51 taking 15 credit hours. Taking a mix of credit hours on and off campus, and were online, they would pay more fees. A 3% increase in tuition for a full year, a student would’ve paid almost $9500, so over $9400. With the modified schedule recommended, the students are paying less, a little over $9,000 if at 15 credit hours for the full academic year for the fiscal year.
* The Financial Aid office went through the students that would have the most need based on an increase in tuition, have identified that they’d need $680,000 to hold them harmless. Recommending that we allocate $680,000 to cover those needs.

Faculty promotions:

At an institution of higher education, faculty only have two opportunities to see their salary increase through promotions. In June it was recommended that those promotions be funded and suspending the CUPA adjustments. CUPA adjustments are for our faculty and at one time, our staff, to ensure that they’re paid at some of the peer average. In the case of our faculty, depending on how many years of experience they have at the institution, between 94 and 100% of their peer averages. Recommending to the Board that for those faculty that receive promotion to also use CUPA as part of that decision process. Estimating to cost about $400,000 from base budget. Student trustee, Alaura Ward, strongly advocated for many students, a 3 percent increase may mean they could not attend the spring semester. The committee discussed several ways of helping those students, including targeting more funding to financial aid, leveraging the HSI Cares Act Grant, and working with faculty senate to use more Open Education Resources so students did not have to pay the high cost of text books.

The Finance Committee is recommending to the board to increase tuition 3 percent for the Spring and Summer semesters. The impact on a resident student taking 15 credit hours is $108, and $337.50 for non-resident students.

A **motion** was made by Trustee Noles to approve the actions recommended by the Finance Committee, moved by Trustee Mulligan, and was seconded by Trustee Hulquist. The motion was **unanimously approved**.

The finance committee is recommending to the Board to keep the same fee structure that was adopted for the Fall 2020 semester to the spring and summer semesters. This will keep the fees consistent for students for this year, and potentially reducing the fees charged since we are waiving on-campus fees such as athletics, campus recreation, and the Auraria bond fees. By keeping this fee structure, and despite the 3 percent increase in spring tuition, the total cost of tuition and fees would be lower than the prior year.

A **motion** was made by Trustee Noles to approve the actions recommended by the Finance Committee, moved by Trustee Mulligan, and was seconded by Trustee Hulquist. The motion was **unanimously approved**.

 **B. Fiscal Year 2020-21 Phase II Budget** **- Larry Sampler, Vice President of Administration/COO and George Middlemist, AVP of Administration/CFO**

Phase II budget allocations recommendations:

* $673K for contract increases, which is primarily the Auraria Library allocation.
* $1,072,674 for faculty promotions and post tenure review.
* $680K in scholarships to help those students who are struggling during these challenging times.
* $12 million in reductions to the overall base budget for fiscal year 2021.
* Using $3 million in university reserves to finish balancing this year’s budget.

The Finance Committee is recommending to the board to approve allocating the $2.4 million and adopt the Phase II budget. A **motion** was made by Trustee Noles to approve the actions recommended by the Finance Committee, moved by Trustee Mulligan, and was seconded by Trustee Hulquist. The motion was **unanimously approved**.

 **C. Interest Rate Swap Board Resolution - George Middlemist, AVP of Administration/CFO**

Finalizing the refinancing of the Hotel and Hospitality Learning Center. The University is finishing the forward starting SWAP refinancing that the BOT approved in February 2018. Essentially locked in an interest rate to refinance the bonds of the Hotel. The bonds of the Hotel without the ARRA stipend, or subsidy, was about 6.4%. Today is the Series 2020 bond issue, finalizing that swap document. In April received the variable rate instrument that was needed, a floating rate at 80% of the one-month LIBOR, plus a credit spread to JP Morgan. They get 1.5% plus 80% of LIBOR. The university is paying about 2.5% interest on that bond. The university is going to use about $1.7 million of those savings to relieve some of the cash flow problems that we’re going to have at the Hotel this fiscal year and a bit of next fiscal year. All the terms that we established back in 2018 are unchanged for what the resolution is today. That 4.62% interest rate is unchanged from a couple years ago with RBC.

The Finance Committee is recommending to the board to approve the interest rate swap board resolution.

A **motion** was made by Trustee Noles to approve the actions recommended by the Finance Committee, moved by Trustee Hulquist, and was seconded by Trustee Carrera. The motion was **unanimously approved**.

**V. ADJOURNMENT:**

A **motion** was made at approximately 5:15 p.m. by Trustee Mulligan, seconded by Trustee Carrera, to adjourn. The motion was **unanimously approved**.